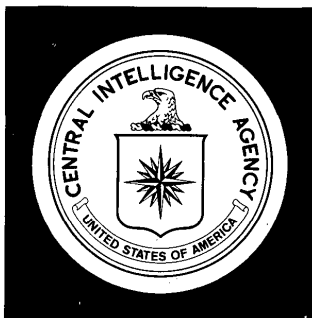




The President's Daily Brief

July 17, 1976

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July 17, 1976

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USSR-SYRIA-LEBANON: *An undramatic but perceptible public adjustment in Soviet policy toward Syria, the Palestinians, and the Lebanese crisis has been under way for several weeks. The direction is clearly toward more overt support for the Palestinians and a still muted but increasingly open criticism of Syrian intervention.*

The decline in the fortunes of the Palestinians since the Syrian intervention has resulted in increased pressure on Moscow to come to the Palestinians' assistance. We know

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The Soviets also have made some political gestures and have increased indirect press criticism of Syria. So far the criticism has been expressed as the position of third parties or in journals or newspapers without the highest authoritativeness.

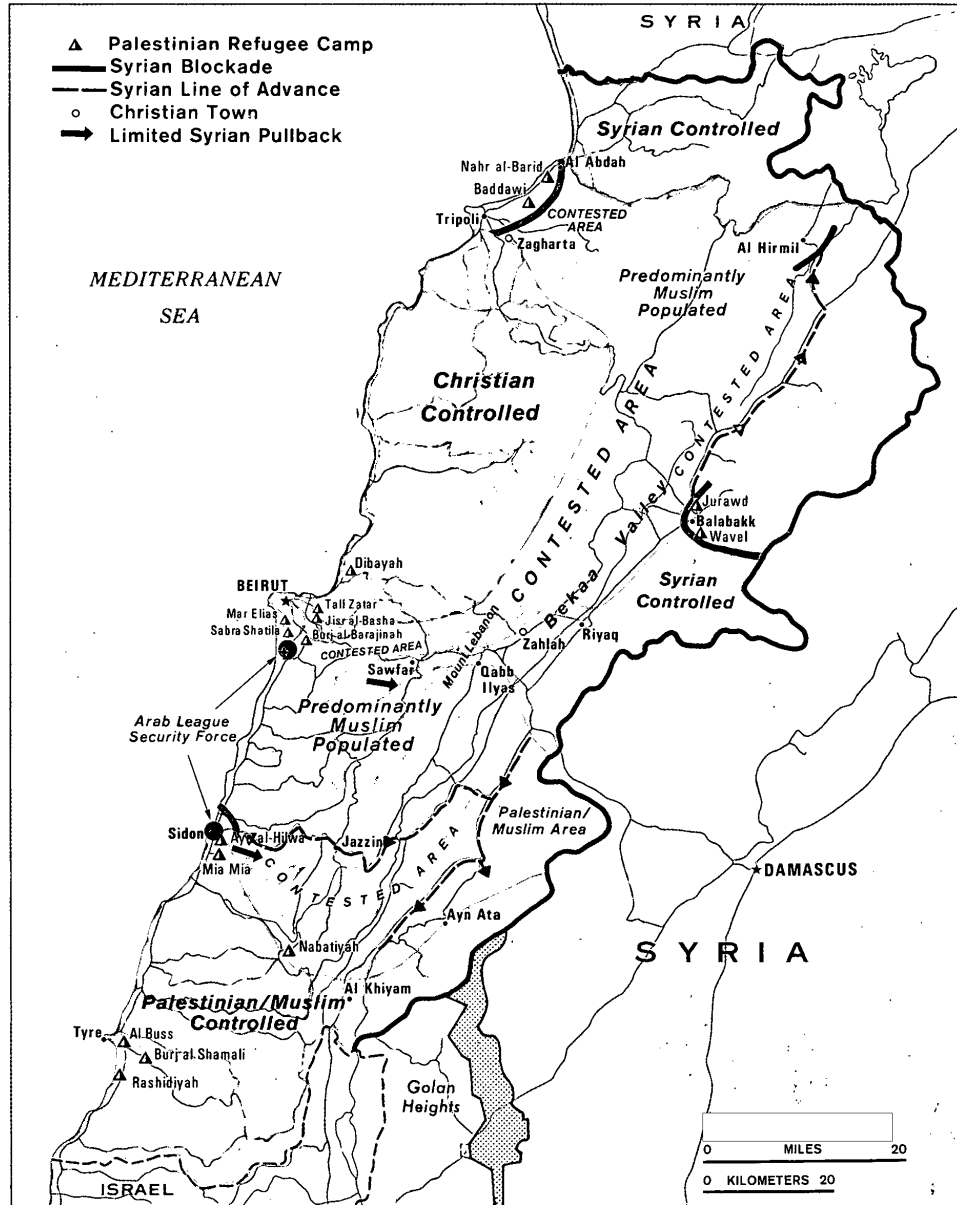
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Lebanon



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Moscow obviously is fearful that Asad will destroy the Palestinians as an independent political factor in the Middle East, thereby depriving Moscow of one of the few remaining cards in its Middle East hand. But the Soviets probably would be highly reluctant to mortgage their considerable investment in Syria to support the Palestinians, about whom they have long had ambivalent feelings--especially if there is no guarantee that they can, in fact, save the Palestinians.

* * *

LEBANON: *Palestine Liberation Organization chairman Yasir Arafat refused to go to Damascus yesterday. The extensive demands being made by Palestinian and leftist leaders are effectively precluding the opening of any negotiations.*

After meeting with Arafat on Thursday, the Palestinians announced that he would refuse to begin talks until Syria had proved its good will by withdrawing completely from the south and the Mount Lebanon area and until a satisfactory agenda had been agreed on. Other leftists added that Syria also must withdraw from Balabakk and Tripoli before a dialogue could occur. The Palestinians left open the possibility of sending a lower level delegation to work out an agenda, but there has been no reaction from Damascus.

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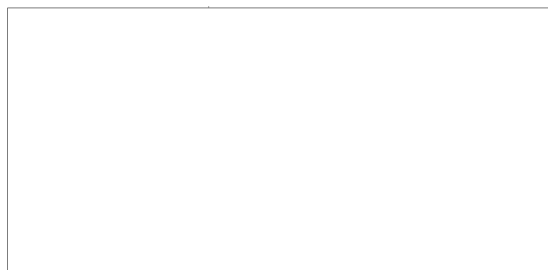
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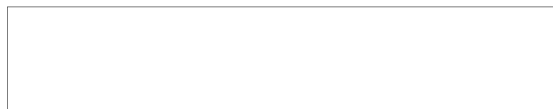
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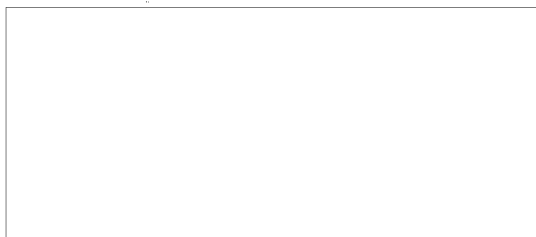


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It is doubtful that the Syrians are eager to get involved in a potentially costly attack on west Beirut, although they may at some point encourage the Christians to hit selected targets.

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Although military activity throughout Lebanon yesterday was generally low, the Syrians seem to be staying put.

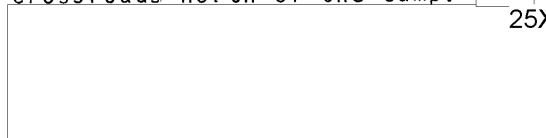


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Syrian forces remain near Sawfar--the immediate cause of Arafat's refusal to talk--and that they are still concentrated in the area of Jazzin, only 12 miles from Sidon.

The heaviest fighting was in the north, where the Syrians have surrounded the Nahr al-Barid refugee camp near Tripoli and captured a crossroads north of the camp.

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Iraqi Troop Buildup



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In a talk with Ambassador Murphy on Thursday, Syria's deputy prime minister for economic affairs made it clear that the Lebanese crisis has put a severe strain on Syria's economy.

Perhaps as many as half a million Lebanese refugees have fled to Syria. The minister also noted that there have been acute shortages of bread, rice, and sugar throughout Syria, some of which have been caused by Lebanese briefly entering Syria to stock up on provisions.

* * *

IRAQ-SYRIA: Baghdad is continuing to build up its military strength in western Iraq.

Over the past three weeks, more than 20,000 troops have been shifted to areas west of the capital. These movements bring the number of troops in the border area opposite Syria to approximately 70,000, where only some 20,000 are normally stationed. The forces remain along the three main roads leading into Syria.

The westward deployments, which began over a month ago, may have been designed to force Damascus to reduce its pressure on Palestinian forces in Lebanon and to increase domestic opposition to President Asad. Although these objectives evidently have not been achieved, the deployments have placed Iraqi forces in a position to take military action with little warning.

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FOR THE PRESIDENT ONLY

FOR THE PRESIDENT ONLY**SUDAN - EGYPT - SAUDI****ARABIA: Presidents**

Numayri and Sadat, who begin a visit to Saudi Arabia today, probably will discuss with Saudi leaders a common course of action to shore up Numayri's position in the wake of the abortive coup against him in early July. The coup attempt apparently was backed by Libya, and there also may be discussions on what to do about Libya's "activism."

Sadat and Numayri are likely to play on Saudi fears that the ouster of the present government in Khartoum would eventually lead to a radical leftist regime and enhance Soviet influence throughout the western Red Sea littoral.

Numayri probably would like to try to ensure the backing of the Sudanese military by obtaining modern weapons to replace aging Soviet-supplied arms. A Saudi handout of cash or more aid for development projects would further buttress Numayri's domestic position. Egypt also might be willing to provide limited military assistance to Sudan, but Sadat probably is more immediately interested in discussing what to do about Libyan President Qadhafi.

Cairo has been hinting broadly in public that it might be planning some operation against Qadhafi,

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Sadat may well explore with the Saudis the advisability of, and the financing for, some sort of operation against Qadhafi.

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EGYPT: Overruling his key economic officials, President Sadat has decided to postpone economic reforms recommended by the International Monetary Fund, at least until after the parliamentary election in October. Sadat fears his radical opponents would try to capitalize on any disruptions caused by the reforms.

Under the agreement with the IMF, worked out over the last six months by Egypt's economic and financial ministers, the Fund was expected to provide \$300 million in loans and to support Egypt's aid requests to other donors. In return, the Egyptians were to implement in July a reform package highlighted by a managed downward

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float of the overvalued Egyptian pound. The IMF disbursed an initial \$108 million to Cairo in June, expecting it to be used to combat speculation against the pound when the float took place.

Sadat's decision dims prospects for additional aid this year from the IMF or other potential lenders. Saudi Arabia--Cairo's last resort for cash aid--has been critical of Egyptian financial practices and may hold back further assistance until reform measures are actually undertaken.

We are uncertain how Sadat expects to get through the next few months. Cairo has only enough gold and foreign exchange on hand to finance two weeks' imports. With no additional aid in sight, Egypt may be forced to survive largely on high-cost, short-term loans until November, when cotton sales boost foreign exchange receipts.

Sadat's reversal raises serious questions about his grasp of Egypt's economic situation. It may also be another indication of leadership difficulties in Cairo. Egypt's foreign and defense ministers are attempting to tone down Sadat's pro-US policies in order to patch up relations with the USSR.

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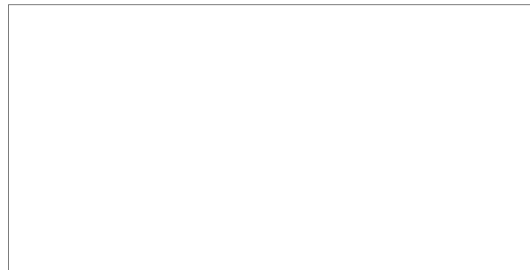
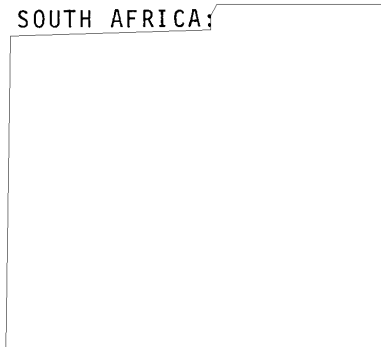
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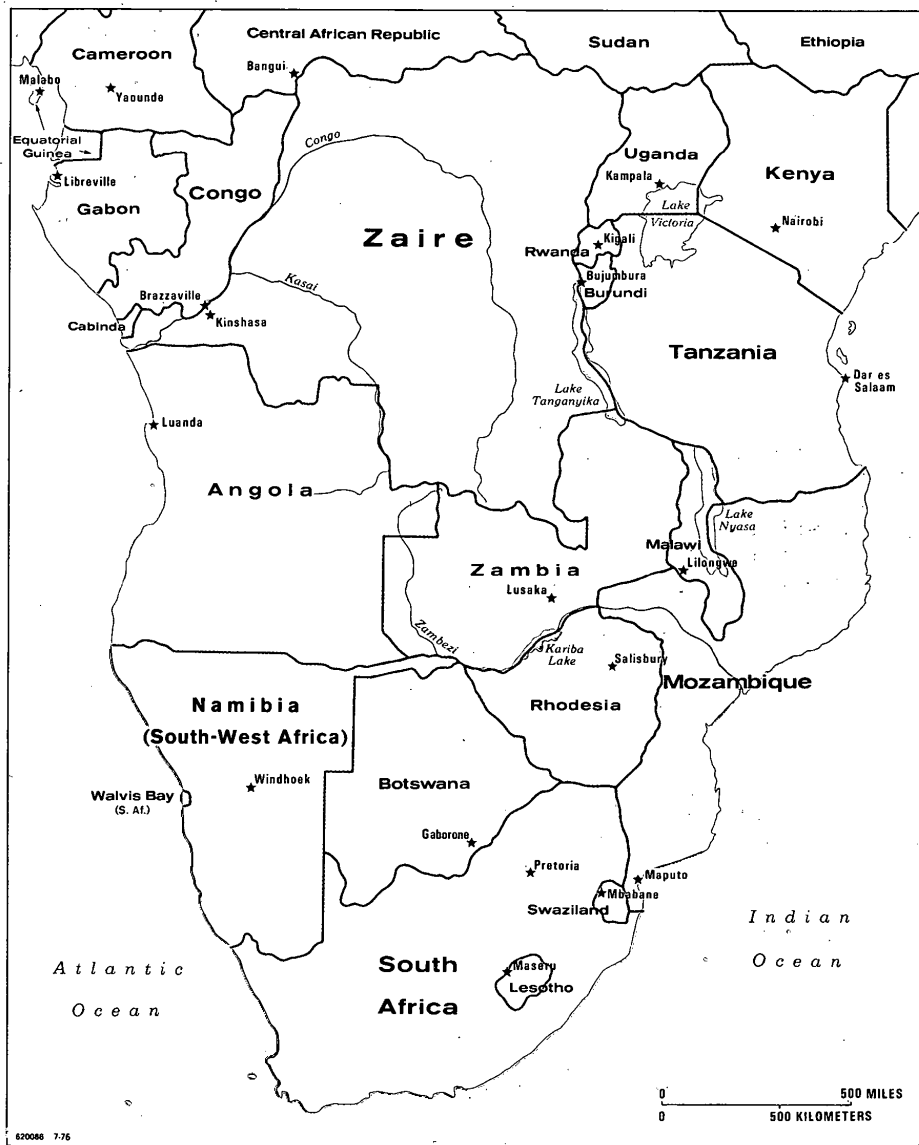
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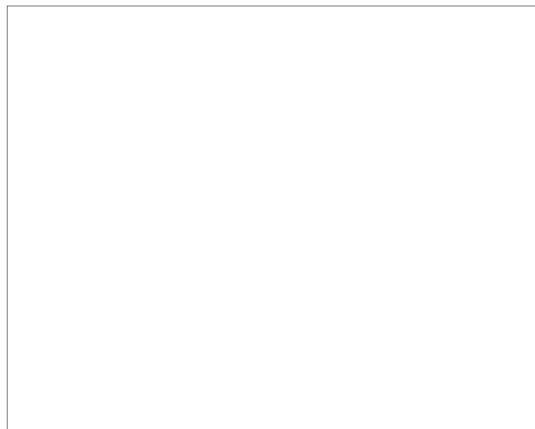
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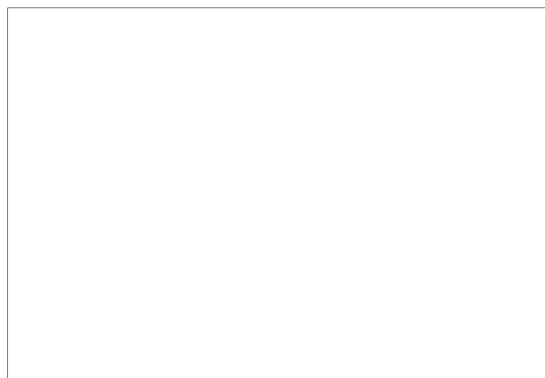


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NOTES

The death last week of the commander of Chinese forces in Fu-chou Military Region, as well as bad weather, caused a temporary halt in military exercises near the southern entrance to the Taiwan Strait. The commander was apparently killed in an airplane accident.

The Chinese have been conducting unusual air and naval training near the mainland coast opposite Taiwan since early May. The departure of some naval ships for their normal operating areas in early July had raised the possibility that the military exercises opposite Taiwan were ending. A subsequent increase in air and ground activity, however, indicates that the exercises are continuing.

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British officials fear that leaks about new arms aid to Kenya may impel Uganda's President Amin to retaliate against British subjects in Uganda or make more threatening moves against Kenya before the aid arrives.

British officials see no way to protect some 500 British subjects in Uganda. Prime Minister Callaghan told critics in Parliament on July 15 that the British in Uganda would have to make their own decision to leave or remain.

Amin may well step up his verbal condemnation of Kenya, but he probably will avoid a major military attack. If he does decide to retaliate, he is more likely to order limited cross-border air or ground raids. Constraints on Amin include a fuel shortage brought about by Kenya's partial blockade of petroleum supplies and the general inefficiency of his armed forces.

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Kuwait's deputy prime minister this week told the US ambassador that Kuwait has agreed to purchase \$300 million worth of Soviet weapons.

The agreement would be Kuwait's first major arms deal with a communist country. It also would mark Moscow's first entrance into the lucrative Persian Gulf arms market.

The Kuwaiti official said that the decision to buy Soviet weapons was made to counter National Assembly criticism of the concentration of Kuwait's arms purchases in the West. Nevertheless, he said Kuwait would continue to rely on the West for major defensive weapons systems and military training. Kuwait already has a Hawk surface-to-air missile system on order from the US.

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The deputy prime minister stated that most of the advisers needed to train Kuwaitis to use their new weapons would come from Egypt and Syria in order to keep Soviet advisers at a minimum.

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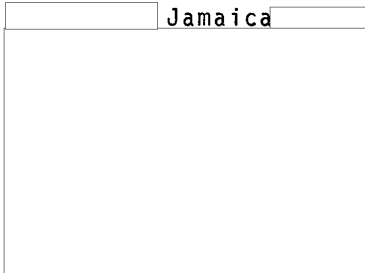
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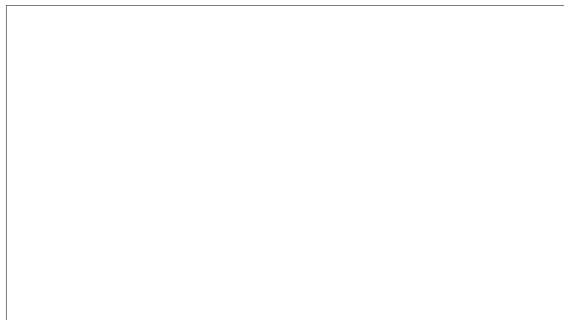


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A leading newspaper this week headlined charges that US planes had fired on Panamanian troops near the Canal Zone. Another provocative article alleged that two Panamanian students arrested for trespassing in the Zone had been abused at their court hearing.

Both stories seem groundless. The US flights, for example, were routinely cleared by Panamanian authorities. Moreover, National Guard officers have told US officials privately that there were no air attacks. [redacted]

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Torrijos probably is trying to distract restless students and other ultra-left groups who recently have increased their criticism of him for the lack of tangible progress in the canal treaty negotiations.

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